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ECONOMIC INDICATORS

CORPORATE ECONOMICS DEPARTMENT - DR. SUNG WON SOHN, CHIEF ECONOMIST DECEMBER 17, 1986

Fall 1986 Regional Economic Survey

Highlights

- Our 21st semiannual survey of the region's bankers suggests that adjustments are well underway to put agriculture back on more stable financial footing. However, the restructuring process is likely to continue for at least a few more years.
- Net farm income is somewhat improved in 1986, but a genuine economic recovery in agriculture is not expected for several years.
- Land prices are declining at a slower rate.
- The number of farmers going out of business has eased since our April survey.
- The reduction in farm debt has accelerated, but further reductions are necessary. Some banks have made considerable progress in restructuring farm operations, others have a way to go.
- Economic conditions remain relatively strong in the Twin Cities. Bankers are reasonably optimistic about 1987.
- The Iron Range economy has weakened since our April survey, while the recovery is continuing in other parts of northern Minnesota and Wisconsin.
- Conducted in mid November, this survey drew responses from more than 800 bankers in Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin.

Agricultural conditions

Income somewhat improved. Despite sharply lower crop prices, net farm income is somewhat improved in 1986 due to increased government subsidies, exceptional crop yields and higher livestock prices. Farm production costs are down due to lower fuel, fertilizer and chemical prices along with reduced use. Lower interest rates and reduced debt levels have also assisted farmers.

Bankers indicate that only 18 percent of their farm borrowers will experience negative cash flow this year; the median response was even lower. These figures show improvement from previous surveys. Farmers with little debt are making some money; however, those with heavy debt loads continue to lose ground. Hog and turkey producers are doing quite well.

Half of the agricultural bankers rated current economic conditions fair and 8 percent good, slightly more favorable responses than last spring. Another 36 percent classified local conditions poor and 7 percent very poor. The most positive appraisal came from dairy areas and the Red River Valley, which has been aided by profitable sugar beet prices and the presence of other specialty crops. Economic conditions appeared weakest in Montana and central North Dakota.

Three-fourths of the bankers expect no change in economic conditions during the next six months, while 21 percent expect further deterioration. This is a slightly more positive appraisal than last spring, nudging the agricultural bankers' confidence index upward for the second time in a row (see page 5). Nevertheless, the farm sector is not on firm ground yet. Bankers expect the farm economy to remain weak for several more years, taking its toll on agribusiness and mainstreet businesses. Bankers also note the heavy dependence of crop farmers on government subsidies for their survival. However, adjustments are well underway to put agriculture back on more stable financial footing.

Slower decline in land prices. According to the region's bankers, cropland prices are down about 10 percent from a year ago, half the rate of decline reported last spring. One-fourth of the bankers reported declines of 20 percent or more, while another one-fourth said land prices were down 6.5 percent or less.

At present, cropland prices are estimated to average about $1,000 per acre in Iowa. One-fourth of the Iowa bankers valued good cropland at $800 per acre or less; another one-fourth reported sales of $1,100 per acre or more. In grain-producing areas of Minnesota and Nebraska, good cropland was pegged at $600 per acre, with the lower quartile reporting land values in the $500 or less range and the upper quartile in the $800 plus range.

Pastureland prices are off 15 percent from a year ago, a somewhat smaller decline than six months ago. Rangeland in central North Dakota, western South Dakota and western Montana showed the largest decline.

About 54 percent of the bankers look for fairly stable land prices during the next 12 months, but 44 percent expect further declines. Expectations of further

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Conducted by:
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Credit Conditions

Qualitative questions such as 2, 6 and 17-25 show the percentage of bankers falling in each of the categories higher, same, lower, etc. Items may not add up to 100 percent due to rounding.

1. What is your current **loan-to-deposit ratio?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	51.9%	42.0%	52.0%	61.0%
Minnesota	55.3	45.0	55.0	65.0
North Dakota	48.6	38.3	48.9	57.0
South Dakota	51.0	44.3	52.0	59.5
Montana	55.9	40.3	59.7	65.0
Wisconsin	58.0	51.3	59.0	64.0
Iowa	46.3	38.0	46.0	55.0
Nebraska	56.7	47.0	58.0	67.3
Twin Cities Banks	63.0	58.0	62.5	70.0
N. Minn.-Wisc.	57.3	50.8	58.5	63.5

2. **Loan-to-deposit ratio** higher or lower than desired?

	Higher	Desired	Lower
All Ag Banks	6%	35%	58%
Minnesota	8	39	54
North Dakota	3	35	62
South Dakota	11	61	28
Montana	7	33	60
Wisconsin	5	34	61
Iowa	5	26	69
Nebraska	8	37	55
Twin Cities Banks	6	36	58
N. Minn.-Wisc.	13	33	54

3. **Typical interest rate** charged for operating loans?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	11.8%	11.5%	12.0%	12.3%
Minnesota	12.0	11.5	12.0	12.5
North Dakota	11.9	11.5	12.0	12.3
South Dakota	11.9	11.5	12.0	12.3
Montana	11.6	11.2	11.5	12.0
Wisconsin	11.5	11.0	11.6	12.0
Iowa	11.7	11.3	11.8	12.3
Nebraska	11.9	11.5	12.0	12.5
Twin Cities Banks	10.3	9.5	10.0	11.1
N. Minn.-Wisc.	11.4	11.0	11.5	12.0

4. Percentage change in **farm loan volume** during **past 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	-7.0%	-13.3%	-5.0%	0.0%
Minnesota	-7.9	-15.0	-5.0	0.0
North Dakota	-4.8	-10.0	0.0	0.0
South Dakota	-3.3	-6.8	0.0	0.0
Montana	-3.2	-5.3	0.0	0.0
Wisconsin	-1.3	-10.0	0.0	2.0
Iowa	-9.5	-15.0	-10.0	0.0
Nebraska	-8.3	-13.5	-7.5	0.0

5. Percentage change in **loan volume** during **past 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	-4.6%	-10.0%	-4.0%	0.0%
Minnesota	-3.9	-10.0	-3.0	0.0
North Dakota	-4.0	-10.0	-2.0	0.0
South Dakota	-0.7	-7.0	0.0	5.0
Montana	-4.9	-10.0	-5.3	0.0
Wisconsin	-0.9	-5.0	0.0	5.0
Iowa	-6.9	-13.8	-6.0	0.0
Nebraska	-6.8	-10.5	-8.0	0.0
Twin Cities Banks	2.9	-3.8	2.3	10.0
N. Minn.-Wisc.	0.3	-5.0	0.0	7.1

6. **Anticipated loan growth** during **next 12 months** compared with past year?

	Higher	Same	Lower
All Ag Banks	18%	55%	26%
Minnesota	19	52	29
North Dakota	24	54	22
South Dakota	21	53	26
Montana	17	63	20
Wisconsin	22	60	18
Iowa	16	58	25
Nebraska	13	52	35
Twin Cities Banks	28	47	25
N. Minn.-Wisc.	19	48	33

7. Percentage change in **bank deposits** during past 12 months?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	3.4%	0.0%	4.0%	8.0%
Minnesota	5.0	0.0	5.0	9.0
North Dakota	1.9	0.0	2.0	5.0
South Dakota	3.6	0.0	3.0	5.8
Montana	-1.1	-6.0	0.0	3.0
Wisconsin	3.3	0.0	4.0	7.0
Iowa	3.0	0.0	4.0	9.0
Nebraska	2.8	0.0	3.0	9.0
Twin Cities Banks	9.5	5.0	8.0	15.0
N. Minn.-Wisc.	6.0	1.0	5.0	10.0

8. Percentage of total **loan portfolio** that is **nonperforming?**

	Survey Average	Response by percentile 25th	50th	75th
Twin Cities Banks	1.7%	0.4%	1.5%	2.5%
N. Minn.-Wisc.	2.6	0.3	2.0	4.0

9. Percentage of **farm loans** that is **nonperforming?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	6.1%	1.0%	4.0%	9.9%
Minnesota	7.2	1.0	5.0	10.0
North Dakota	6.5	0.8	3.0	10.0
South Dakota	5.0	0.1	2.5	7.5
Montana	5.7	0.0	2.0	9.0
Wisconsin	5.0	1.0	3.0	7.0
Iowa	5.7	1.0	3.0	9.0
Nebraska	5.5	1.0	4.0	8.2

Business Conditions

10a. Current **market value** of good **cropland?** (Dollars per acre)

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	$671	$400	$650	$900
Minnesota	635	500	600	800
North Dakota	366	228	300	400
South Dakota	323	200	300	450
Montana	465	250	350	625
Wisconsin	562	463	525	650
Iowa	961	800	1000	1100
Nebraska	636	438	600	800

10b. Current **market value** of **pastureland?** (Dollars per acre)

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	$238	$125	$200	$300
Minnesota	241	125	200	313
North Dakota	117	89	100	128
South Dakota	138	95	138	150
Montana	151	64	95	163
Wisconsin	250	175	250	300
Iowa	332	250	300	400
Nebraska	189	99	150	300

11a. Percentage **change** in **cropland prices** from a year ago?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	– 13.4%	– 20.0%	– 10.0%	– 6.5%
Minnesota	– 16.4	– 25.0	– 15.0	– 10.0
North Dakota	– 14.1	– 20.0	– 15.0	– 5.0
South Dakota	– 11.7	– 20.0	– 10.0	– 2.0
Montana	– 13.7	– 20.0	– 10.0	– 6.0
Wisconsin	– 14.2	– 20.0	– 10.0	– 7.0
Iowa	– 11.7	– 15.0	– 10.0	– 5.0
Nebraska	– 8.8	– 15.0	– 10.0	0.0

11b. Percentage **change** in **pastureland prices** from a year ago?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	– 14.8%	– 20.0%	– 15.0%	– 5.0%
Minnesota	– 14.6	– 25.0	– 10.0	0.0
North Dakota	– 14.1	– 20.0	– 15.0	– 5.0
South Dakota	– 16.2	– 25.0	– 15.0	0.0
Montana	– 17.6	– 25.0	– 17.0	– 10.0
Wisconsin	– 14.0	– 20.0	– 10.0	– 2.5
Iowa	– 15.6	– 20.0	– 15.0	– 8.0
Nebraska	– 11.0	– 17.0	– 10.0	0.0

12. Anticipated trend in **land prices** during **next 12 months?**

	Increase	Stable	Decrease
All Ag Banks	2%	54%	44%
Minnesota	2	51	47
North Dakota	0	46	54
South Dakota	2	55	43
Montana	3	53	43
Wisconsin	0	61	39
Iowa	2	57	41
Nebraska	5	61	34

13. Percentage of farm borrowers having **negative cash flow** in 1986?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	17.8%	5.0%	10.0%	25.0%
Minnesota	19.7	6.0	10.0	25.0
North Dakota	24.1	10.0	20.0	35.0
South Dakota	18.0	4.0	13.5	30.0
Montana	28.7	5.0	17.5	50.0
Wisconsin	16.9	5.0	10.0	20.0
Iowa	14.1	5.0	10.0	20.0
Nebraska	12.8	5.0	10.0	20.0

14. Percentage of farm customers that went **out of business** during the **past 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	3.3%	1.0%	2.0%	5.0%
Minnesota	3.8	1.0	3.0	5.0
North Dakota	2.6	0.5	2.0	4.0
South Dakota	2.5	0.0	2.0	3.0
Montana	3.0	0.0	1.0	3.0
Wisconsin	3.0	0.5	2.0	5.0
Iowa	3.4	1.0	2.0	5.0
Nebraska	3.1	1.0	2.0	5.0

15. Percentage of farm customers likely to **discontinue operating** during the **next 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	4.0%	1.5%	3.0%	5.0%
Minnesota	4.4	1.0	4.0	5.0
North Dakota	4.0	2.0	3.0	5.0
South Dakota	3.4	1.3	2.5	5.0
Montana	4.1	1.0	3.0	5.0
Wisconsin	3.5	1.0	3.0	5.0
Iowa	3.8	2.0	3.0	5.0
Nebraska	3.7	1.0	3.0	5.0

16. Percentage of farm/ranch customers to **survive** in the **long run?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	80.0%	75.0%	80.0%	90.0%
Minnesota	79.0	71.3	80.0	90.0
North Dakota	78.3	70.0	80.0	90.0
South Dakota	79.9	75.0	80.0	90.0
Montana	79.0	60.0	85.0	90.0
Wisconsin	81.9	75.0	80.0	95.0
Iowa	81.5	75.0	82.5	92.5
Nebraska	79.5	75.0	80.0	90.0

17. Overall **economic conditions** in your area at the **present time?**

	Very Good	Good	Fair	Poor	Very Poor
All Ag Banks	0%	8%	50%	36%	7%
Minnesota	0	7	48	37	8
North Dakota	0	7	39	43	10
South Dakota	0	12	54	23	11
Montana	0	3	27	53	17
Wisconsin	0	21	52	25	2
Iowa	0	7	53	35	4
Nebraska	0	0	61	35	3
Twin Cities Banks	6	64	28	0	3
N. Minn.-Wisc.	0	15	48	31	6

Iowa - "In a leveling-off mode."

"Have seen shift of emphasis from bigness to profit."

"Majority of bank's portfolio problems are behind us. Remaining customers should be survivors in the long run."

"Starting to see a degree of stability in our farm sector."

"Better livestock prices and government programs have improved cash flow greatly."

Minnesota - "Agricultural sector will continue to deteriorate slightly."

"Economy will remain about the same."

"Rural small business will continue to struggle with decreased sales and customer base."

"Dairy people will continue to benefit from lower feed costs and slightly lower interest."

Montana - "With current government programs, most operators will be able to show positive cash flow."

"Things have stabilized to a degree."

"Difficult, but possibly improving somewhat."

"Remain about the same."

Nebraska - "Most customers with problems have already been eliminated."

"Continued tight cash flows, marginal profitability, better livestock returns."

"Still need to reduce debt to serviceable level."

"Overall our customers are better off than one year ago."

North Dakota - "Sugar beets, potatoes and dry edible beans are good. Our specialty crops are holding our area together."

"Many more problems showing up where unexpected."

"Overall, our economy is fundamentally adjusting to lower grain prices."

"Medium-size farms should be okay; large farms don't fit the farm program and thus will struggle."

South Dakota - "Most of the farmers in our immediate area are in good shape."

"Nothing on the horizon to indicate near-term recovery."

"Feel we are at or very near the bottom of the current economic cycle."

"Economy shows signs of starting to stabilize."

Wisconsin - "Nonfarm income is important to our area, and appears quite strong."

"Input expenses are down, interest rates are down and milk prices are up."

"The good dairy operator will be able to make some money."

"Generally improving, but still many problems."

Twin Cities - "Outlook is positive. Employment and consumer spending should remain strong."

"(Currently good), should remain the same with possible small improvement."

"Steady to increasing. Suburban area with commercial expansion being a major factor."

"Feel car sales will definitely slow, as well as housing starts."

Northern Minnesota/Wisconsin - "The increase in construction spending and tourism in Duluth will be offset by declining activity in the Iron Range."

"Slight improvement due to concerted effort to bring industry to area."

"Will remain stable with little growth and some possible shrinkage."

"(Outlook) fairly good. Several sizable business-expansion projects."

18. **Local economy** stronger or weaker than a year ago?

	Stronger	Same	Weaker
Twin Cities Banks	28%	64%	8%
N. Minn.-Wisc.	23	48	29

19. Are **capital expenditures** higher or lower than a year ago?

	Higher	Same	Lower
Twin Cities Banks	14%	54%	31%
N. Minn.-Wisc.	15	46	40

20. Change expected in **capital outlays** during **next six months?**

	Stronger	Same	Weaker
Twin Cities Banks	11%	47%	42%
N. Minn.-Wisc.	8	44	48

21. Are **retail sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities Banks	33%	56%	11%
N. Minn.-Wisc.	29	48	23

22. Are **automobile sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities Banks	63%	17%	20%
N. Minn.-Wisc.	43	48	9

23. Change expected in **consumer spending** during **next six months?**

	Stronger	Same	Weaker
Twin Cities Banks	25%	47%	28%
N. Minn.-Wisc.	10	52	38

24. Are **housing starts** higher or lower than a year ago?

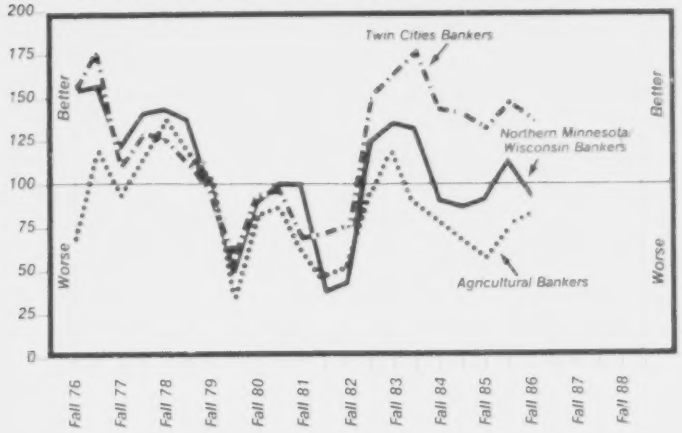
	Better	Same	Worse
Twin Cities Banks	72%	17%	11%
N. Minn.-Wisc.	23	38	40

25. Anticipated trend in **economic conditions** during the **next six months?**

	Better	Same	Worse
All Ag Banks	5%	74%	21%
Minnesota	3	68	29
North Dakota	4	74	22
South Dakota	2	82	16
Montana	3	90	7
Wisconsin	9	71	20
Iowa	9	75	16
Nebraska	2	77	21
Twin Cities Banks	11	83	6
N. Minn.-Wisc.	10	71	19

Upper Midwest Confidence Index

Composite index of current conditions and bankers' appraisal of economic prospects during the next six months



Economic Survey (continued from page 1)

declines were most pronounced in North Dakota, western South Dakota and eastern Montana.

Restructuring is progressing. Bankers indicate that progress is being made in restructuring farm operations. Farm debt is being reduced, but further reductions are needed. The adjustment process will not be finished until asset values, production costs and debt have fallen to levels that can be supported by income. Throughout this period, the federal government is playing an important role in providing income support to farmers.

On average, bankers estimate that 3.3 percent of their customers quit farming during the past 12 months; the median response was 2 percent. These figures are lower than six months ago. Their estimates ranged from a low of 1 percent or less for one-fourth of the agricultural banks to a high of at least 5 percent for another one-fourth of the banks.

Bankers predict that 4 percent of their customers may discontinue operations during the next year — also down from last spring's estimate. However, it may take at least a couple of years before the restructuring of highly leveraged farm operations is completed.

Bankers estimated that 80 percent of their current farm customers will survive in the long run. One-fourth of the banks said that at least 90 percent of their customers will survive, while another one-fourth estimated that 75 percent or less of their customers would ultimately survive. Bankers noted that some bankrupt producers are reentering agriculture as tenant farmers.

Twin Cities Economy

Relatively healthy. Seventy percent of the Twin Cities bankers rated local economic conditions good to very good — a trifle stronger than a year ago. Housing starts are at a record level, auto sales are strong and retail sales are higher than a year ago. Capital expenditures, however, are lagging.

As of October 1986, Twin Cities nonfarm wage and salary employment was 11.3 percent above the peak reached before the 1981-82 recession. This was about 1 percentage point better than the national average. However, during the past 18 months, Twin Cities employment has grown more slowly than nationally. Local employment is up 1.6 percent from a year ago. The computer industry is in a prolonged slump, with employment down 12 percent from a year ago and 19 percent from the February 1986 peak. However, job growth remains strong in construction, business services, finance, insurance and real estate.

Most Twin Cities bankers expect little change in overall economic conditions during the next 6 to 12 months. Consumer spending is projected to remain near current levels, but capital spending is forecast to decline.

Northern Minnesota-Wisconsin Economy

Mixed Appraisal. Banker's appraisals of current and future economic conditions are a bit less optimistic than last spring. However, wide variation is evident in this portion of the region.

Economic conditions are stronger than a year ago in northern Wisconsin. One-third of the bankers rated current economic conditions good, 50 percent fair and only 17 percent poor. Auto sales are stronger than a year ago, while general retail sales and capital expenditures are about the same as last year. Housing starts tend to be weaker. Most of the northern Wisconsin bankers expect economic conditions to either remain the same or possibly strengthen slightly during 1987.

Although employment in Duluth-Superior remains well below the previous peak, economic activity continues to strengthen. Tourism and construction of new manufacturing facilities have aided the area.

The Iron Range economy has weakened since our April survey. Housing starts, capital expenditures and general retail sales are lower than a year ago, but auto sales are up. About 44 percent of the Iron Range bankers characterize current conditions as fair, 44 percent poor and 12 percent very poor. Conditions are expected to weaken further during the next six months as the outlook for the taconite industry remains uncertain.

Other northeastern/north central Minnesota bankers fell in the middle of the pack. Half of the bankers rated current conditions fair, 15 percent good and 35 percent poor. Retail and auto sales are better than a year ago, but capital spending is worse. Most bankers expect either little change or slightly weaker conditions during 1987. Tourist trade is expected to rise; however, some bankers noted a loss of tourists from nearby farm states.

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Fall 1986 Regional Economic Survey (continued from page 5)

Credit conditions

Agricultural banks

Debt reduction accelerates. Total farm debt peaked in 1983, after rising every year since 1945. The decline in agricultural loans first showed up at other major private lenders; banks did not join this trend until 1985. The banks participating in this survey reported a 7 percent decline in farm loans during the last 12 months. One-fourth of the banks reported declines of 13 percent or more; another one-fourth reported no drop in farm-loan volume. The biggest declines occurred in Iowa, Minnesota, Nebraska and central North Dakota. Wisconsin banks reported the smallest declines in farm loans, averaging only 1 percent less than a year ago.

Reduced production costs, substantial declines in capital expenditures, higher livestock prices, increased government subsidies in advance of the production season, sale of assets and debt write-offs by lenders have all contributed to the decline in farm loans. Farm debt will continue to be reduced until it has fallen to a more serviceable level. Some banks report considerable progress in restructuring farm operations, while others have a way to go.

Deposits at agricultural banks were up a modest 3.4 percent from a year ago, on par with the last four surveys. One-fourth of the banks reported no growth in deposits, while another one-fourth experienced deposit growth of 8 percent or more.

The combination of rising deposits and declining loan volume pushed the average loan-to-deposit ratio 6 percentage points below last year's level to 51.9 percent — the lowest level since the 1960s. One-fourth of the banks had a ratio of 42 percent or less, while another one-fourth had a ratio of 61 percent or more. Nearly 60 percent of the bankers viewed their loan-to-deposit ratio as lower than desired.

Interest rates on farm loans at agricultural banks continued to decline, aiding the farm adjustment process. The typical interest rate charged for farm operating loans averaged 11.8 percent, down from 12.7 percent in April and 13.2 percent a year ago.

Agricultural loans made up an average of 46 percent of all loans in the portfolios of the banks that responded to this survey. On average, 6.1 percent of these agricultural loans were nonperforming — either requiring interest concessions or not accruing any interest. This was a slightly lower percentage than reported last spring. One-fourth of the banks said that at least 10 percent of their farm loans were nonperforming, while another one-fourth said no more than 1 percent of their farm loans were nonperforming.

Twin Cities banks

Weak loan demand. Total loans outstanding at Twin Cities banks are up only 2.9 percent from a year ago, one of the smallest increases reported in recent years. One-fourth of the Twin Cities bankers reported increases of at least 10 percent, while another one-fourth reported declines of at least 3.8 percent. Loan demand is expected to remain sluggish. Bank deposits averaged 9.5 percent more than a year ago.

At 63 percent, the average loan-to-deposit ratio was virtually unchanged from last April and down 2.5 percentage points from a year ago. One-fourth of the banks had a loan-to-deposit ratio of 58 percent or less, while another one-fourth had a ratio of 70 percent or more. Nearly 60 percent of the bankers viewed their ratio as lower than desired.

The typical interest rate charged for operating loans was 10.3 percent in mid November, down from 11.6 percent in April. On average, 1.7 percent of all loans at Twin Cities banks were classified as nonperforming, about the same as last spring.

Northern Minnesota/ Wisconsin banks

Anemic loan demand. Bankers reported no change in loan volume from a year ago, evidence of a weak economy. One-fourth of the banks reported at least a 5 percent drop in loans, while another one-fourth reported increases of at least 7 percent. Deposits averaged 6 percent more than a year ago.

The average loan-to-deposit ratio fell 4.7 percentage points to 57.3 percent — the lowest level since this survey began 10 years ago. Twenty-five percent of the banks have a ratio of 63 percent or more, while another 58 percent had a ratio of 51 percent or less. Bankers anticipated continued weak loan demand.

The typical interest rate charged for operating loans was 11.5 percent in November, compared with 12.5 percent in April. On average, 2.6 percent of all loans at these banks were nonperforming. This figure was 0.3 percent or less at one-fourth of the banks. Another one-fourth said at least 4 percent of their loans were nonperforming.

by Dr. Larry J. Wipf
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